

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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MEMORANDUM

TO: County Auditors and County Councils

FROM: Timothy J. Rushenberg, Commissioner *TJR*

DATE: February 9, 2009

SUBJECT: Procedures for Handling County Welfare Loans

1. The purpose of this memorandum is to outline the procedures counties must follow regarding outstanding obligations within their county welfare funds. **This direction supplements the memorandum disseminated by the Department of Child Services (DCS) on December 1, 2008 to County Auditors, all local office directors of DCS, and presidents of the county councils in Indiana.** This memorandum hereby issued by the Department of Local Government Finance ("Department") expands upon certain provisions in the aforementioned DCS memorandum in order to give specific guidance from the local budget perspective.
2. There are several Family & Children funds and Children's Psychiatric Residential Treatment Services funds (CPRTS) throughout the state with outstanding obligations after December 31, 2008. In several cases, there are insufficient monies available to loan to these welfare funds to cover these obligations.
3. A county with insufficient appropriations will need to obtain an additional appropriation to the Family & Children, CPRTS, or Levy Excess funds from their county fiscal body (i.e., county council). Counties may use existing balances in Levy Excess funds from previous years' tax distributions to cover these outstanding obligations. If a County uses levy excess from previous years' tax distributions, the County Auditor will need to notify the Department of the amount used. **The County Auditor will need to follow the normal additional appropriations procedures and advertise the fund, amount, and the date of the public hearing.** Upon approval, the County Auditor will submit the additional appropriation to the Department along with the "Certified Copy of Additional Appropriations." After Department approval, the appropriation will be posted to the appropriate fund. The Department will manually process these appropriation requests in advance of the 2009 budget orders when necessary.
4. Counties are authorized to obtain loans to pay these outstanding obligations. Counties are to use the County Debt Service fund and a separate rate and levy for repayment of the loans. **The Department will work with counties to have all loans paid off in the 2008-pay-2009 budget year. However, the Department will not delay issuing any 2009 Budget Orders due to the processing of these debt service rates and levies.** In those cases, those counties will have a rate and levy for 2009-pay-2010 to repay those loans.

5. Below are the procedures to follow to accomplish the loan payoffs:

- Counties are permitted to make an inter-fund loan for the outstanding obligations after fiscal body adoption of the appropriate ordinances.
- Counties are to transfer surplus balances from either the Family & Children Fund or the CPRTS Fund to the Levy Excess Fund and use that money to decrease the amount of inter-fund loan (Example: Family and Children is short by \$100,000 and CPRTS has an overage of \$25,000. Counties would transfer the \$25,000 to the Levy Excess Fund and use that money for an additional appropriation to pay F&C expenditures. The loan needs would be decreased to \$75,000.).
- The Department will set a rate and levy for a one (1) year payback of the inter-fund loan with the adoption of the appropriate ordinances and public notices.
- If the County does not have the funds for an inter-fund loan, the county will be permitted to borrow from financial institutions to cover the obligation.
- The Department will set a rate and levy for a one (1) year payback of the debt in the County Debt Service Fund for either 2009 or 2010.
- If the 2009 county budget advertisement did not address a loan or is insufficient to cover the shortage, the Department will provide a Notice to be advertised one (1) time in two (2) newspapers (if two are available) as soon as possible.
- The fiscal body will hold a Public Hearing adopting a resolution for the Family & Children Fund, CPRTS Fund, or Levy Excess Fund appropriations and the County Debt Service Fund budget, rate and levy.
- Forward one (1) copy of the appropriate resolution and proof of publication to the Department's Budget Division for consideration.

If you have any questions regarding these obligations or these procedures, please feel free to contact Dan Jones, Assistant Director at (317) 232-0651 or Djones@dlgf.in.gov or Linda Lessaris at (317) 233-9239 or Llessaris@dlgf.in.gov.